

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 AGR-05 SSO-00

INRE-00 USIE-00 NSCE-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03

ITC-01 /097 W

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O R 271717Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 4977

AMEMBASSY BRASILIA IMMEDIATE

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY MEXICO

AMEMBASSY SAN SALVADOR

AMEMBASSY TANANARIVE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 13647

E.O. 11652: GDS

TAGS: EPAP ICO EAGR

SUBJECT: COFFEE: MEETING OF ICO EXECUTIVE BOARD

REF: STATE 211638

1. INTERNATIONAL COFFEE ORGANIZATION (ICO) EXECUTIVE BOARD MET AUGUST 26 TO CONSIDER ROUTINE HOUSEKEEPING MATTERS AND RECEIVE UPDATED STATISTICAL REPORTS. MOST OF AGENDA CONCLUDED IN MORNING SESSION WITHOUT CONTRO-
VERSY, LEAVING TIME FOR EARLY AFTERNOON CAUCUS OF CONSUMERS REQUESTED BY FRANCE AND THE UNITED STATES.

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2. AT CONSUMER CAUCUS, FRENCH REP (HERMANN) OPENED THE DISCUSSION BY REPORTING ON A RECENT DECREE ISSUED BY EL SALVADOR WHICH ATTEMPTS TO ESTABLISH AND MAINTAIN CONTROL OVER ULTIMATE DESTINATION OF COFFEE SOLD TO IMPORTING MEMBER COUNTRIES. THE FRENCH REP STATED THIS ACTION IS CONTRARY TO ICO RULES AND HE PRESENTED A DRAFT RESOLUTION AFFIRMING THAT COFFEE MAY BE TRADED FREELY BETWEEN IMPORTING MEMBERS WITH NO RESTRICTIONS PLACED ON COUNTRY OR PORT OF DESTINATION. AFTER A BRIEF DISCUSSION, CONSUMERS UNANIMOUSLY ADOPTED THE FRENCH RESOLUTION FOR PRESENTATION TO THE FULL EXECUTIVE BOARD.

3. THE U.S. REP RAISED PROBLEM CREATED BY RECENTLY ANNOUNCED PURCHASE BY BRAZIL OF LARGE QUANTITIES OF SALVADORAN COFFEE. HE SAID THAT IN U.S. VIEW, THE PURPOSE OF THE PURCHASE WAS TO MAINTAIN HIGH PRICES. HE PROPOSED THAT IN ORDER TO DISCOURAGE FUTURE TRANSACTIONS OF THIS NATURE, CONSUMERS SHOULD MAKE CLEAR TO PRODUCERS THAT THE SELLING COUNTRY WOULD FORFEIT THE RIGHT TO COUNT SUCH EXPORTS TOWARD ITS BASE FOR QUOTA CALCULATIONS. FRANCE, NORWAY AND NETHERLANDS SPECIFICALLY SUPPORTED THE U.S. POSITION WHICH WAS ADOPTED AS CONSUMER CONSENSUS.

4. WHEN THE EXECUTIVE BOARD RECONVENED, HEAD OF FRENCH DELEGATION (GALLOT) REPORTED ON THE CONSUMER CAUCUS, PRESENTING THE PROPOSED RESOLUTION ON TRADE BETWEEN IMPORTING MEMBERS AND SAYING THAT THE RECENT LARGE PURCHASE OF COFFEE BY AN EXPORTER RAISED QUESTIONS AS TO HOW QUOTAS WOULD EVENTUALLY BE ALLOCATED. THE BOARD CONSIDERED THE RESOLUTION FIRST, AND AFTER A BRIEF DISCUSSION AND SOME MINOR REDRAFTING, ADOPTED IT. THE SALVADORAN REP (MARTINEZ), WHO MAY NOT HAVE FULLY UNDERSTOOD ITS PURPOSE, SUPPORTED THE RESOLUTION.

5. THE U.S. REP LED OFF A LENGTHY DISCUSSION OF PURCHASES BY EXPORTERS, NOTING THAT MEMBERS HAD DEVOTED CONSIDERABLE TIME AND EFFORT TO DEVELOP A FOOL-PROOF SYSTEM FOR TRACING COFFEE FROM PRODUCING COUNTRIES TO

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MEMBER IMPORTERS. HE SAID THAT PURCHASES SUCH AS THAT ANNOUNCED IN BRAZIL CREATED PRACTICAL PROBLEMS IN TRACKING AND COULD RAISE DOUBTS ABOUT THE INTEGRITY OF THE WHOLE TRACKING SYSTEM. HE SUGGESTED THE EXECUTIVE BOARD DEVELOP RULES TO DEAL WITH THIS MATTER.

6. THE BRAZILIAN REP (RAFFAELLI) REPLIED THAT: THE PURCHASE HAD BEEN ANNOUNCED BY A PRIVATE BRAZILIAN

FIRM; HE HAD NO OFFICIAL CONFIRMATION OF IT; NO SALVADORAN COFFEE HAS ACTUALLY ENTERED BRAZIL; AND IT WOULD BE BEST FOR THE BOARD TO WAIT UNTIL THE PROBLEM ARISES BEFORE DECIDING WHAT TO DO. FRANCE SUPPORTED THE U.S., SAYING THERE IS A LOOPHOLE IN THE TRACKING SYSTEM WHICH COULD POTENTIALLY GROW.

7. THE U.S. REP ASKED THE ACTING EXECUTIVE DIRECTOR (LOUDON) IF THE SECRETARIAT HAD GIVEN ANY THOUGHT AS TO HOW SUCH EXPORTS MIGHT BE TRACKED. LOUDON REPLIED THAT THEORETICALLY IT MIGHT BE POSSIBLE TO TRACK THEM. BUT IN PRACTICE, IT WOULD BE VERY DIFFICULT. THE SALVADORAN REP SAID THE REPORTS OF THE SALE WERE NOT

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LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03

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FM AMEMBASSY LONDON

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YET CONFIRMED, BUT IF TRUE, IT SHOULD PRESENT NO PROBLEM AS THE ICO COULD USE THE FIGURES REPORTED TO IT BY THE PRODUCERS AND CALCULATE QUOTAS ON THAT BASIS. LOUDON SAID THAT EVEN IF THE ICO HAD THE FIGURES, UNDER PRESENT RULES, IT COULD ONLY REPORT THEM TO THE EXECUTIVE BOARD WHICH WOULD DECIDE WHETHER OR NOT THEY WOULD COUNT FOR QUOTA PURPOSES. THE U.S. REP ASSURED THE SALVADORAN THAT THE U.S. WOULD BE UNLIKELY TO AGREE BECAUSE ONCE COFFEE IS PROCESSED, IT IS EXTREMELY DIFFICULT TO CONFIRM ITS ORIGIN.
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8. TOWARD THE END OF THE DISCUSSION, THE BRAZILIAN REP CONCEDED THAT ARTICLE 30 OF THE AGREEMENT STATES THAT ONLY EXPORTS TO IMPORTING MEMBERS WILL COUNT FOR QUOTA PURPOSES. HOWEVER, HE ADDED THAT IT SHOULD BE POSSIBLE TO ESTABLISH RULES TO FIND A WAY AROUND THIS. THE CHAIRMAN SUGGESTED THAT SINCE IT DID NOT APPEAR POSSIBLE TO REACH AGREEMENT, THE EXECUTIVE DIRECTOR SHOULD SET UP AN INFORMAL WORKING GROUP TO MEET BEFORE THE NEXT EXECUTIVE BOARD SESSION. THE U.S. REP RESERVED ON THE GENERAL RULES FOR THE TRACKING SYSTEM, PENDING RESOLUTION OF ISSUE UNDER DISCUSSION.

9. COMMENT: THE BRAZILIAN REP WAS RELUCTANT TO DISCUSS BRAZIL'S PURCHASES IN THE EXECUTIVE BOARD, SKILLFULLY CITING LACK OF CONFIRMATION AND INSTRUCTIONS. NONETHELESS, THE DISCUSSION WAS USEFUL BECAUSE IT MADE CLEAR TO PRODUCERS THAT AFFIRMATIVE ACTION WOULD HAVE TO BE TAKEN BY THE BOARD FOR SUCH EXPORTS TO BE COUNTED IN THE SELLER'S QUOTA BASE AND THAT THE U.S., FRANCE AND OTHER CONSUMERS WOULD LIKELY BLOCK SUCH ACTION.

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Message Attributes

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Margaret P. Grafeld
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04 MAY 2006

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